



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Interim Chief Executive Officer

February 17, 2015

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From: Sachi A. Hamai
Interim Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Highway User Tax Account Revenues.** An update on the estimated allocation of Highway User Tax Account revenues in FY 2015-16.
- **Transportation Infrastructure Funding.** A report on Speaker Toni Atkins' proposal to increase transportation infrastructure funding.
- **Legislation of County Interest. AB 227 (Alejo)** - related to transportation funding and the Highway User Tax Account.

Highway User Tax Account Revenues

As reported in the January 14, 2015 Sacramento Update, the Governor's FY 2015-16 Proposed Budget forecasts a reduction of over 15 percent in Highway User Tax Account (HUTA) revenues (gas tax) compared to FY 2014-15. The reduction in revenues is due to the downward adjustment of the gasoline excise tax rate resulting from the lower consumption of gasoline statewide. The trend of lower Highway User Tax Account revenues is expected to continue for the next two to three years.

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The Department of Public Works notes that most of the County's gasoline excise tax revenue is dedicated to unincorporated area street and highway operation, maintenance, and safety programs, e.g., pavement and sidewalks, parkway trees, traffic control devices, and traffic safety.

Based on updated projections provided by the California State Association of Counties, the Department of Public Works projects the County will receive \$153 million in gas tax revenues in FY 2015-16. This is \$10 million less than the amount projected in the Governor's January Budget Proposal. The Department also reports that the projected allocation for FY 2015-16 is a decrease of \$31 million compared to last fiscal year and an overall decrease of \$56 million from FY 2013-14, when gas tax revenues peaked at \$209 million.

The Department reports that it is further evaluating the HUTA revenue estimates for the coming fiscal year and will provide the Board with a report on recommended actions to minimize the impact of the gas tax revenue reductions on County operations or projects.

The California State Association of Counties met with members of the Legislature and the transportation stakeholder community in January to discuss funding options and strategies for increasing revenues for transportation for this year as well as in the short-term (over the next five years). Proposals discussed included an increase in the gas tax, an increase in the vehicle license or registration fee, returning truck weight fees (currently being diverted for transportation bond debt service) back to transportation, or a combination of these, or other options.

Speaker Toni Atkins' Proposal to Increase Transportation Infrastructure Funding

On February 4, 2015, Assembly Speaker Toni Atkins announced a proposal to increase transportation infrastructure funding for California's highways, bridges, and roads by \$10 billion over the next five years, beginning in FY 2015-16.

According to a press release issued by the Speaker's office, the plan includes:

- \$1 billion per year by returning truck weight fees to transportation instead of using them to repay general obligation debt;
- \$200 million per year for transportation funding by accelerating repayment of previous State General Fund borrowing from transportation funding; and
- \$800 million per year in new funds for transportation by establishing a new Road User Charge to drivers.

The proposal to return the truck weight fees to transportation and to accelerate repayment of transportation loans are similar to provisions contained in AB 227 (Alejo) which is reported below as legislation of County interest.

The Speakers' press release also indicated that the Road User Charge would amount to approximately a dollar a week for most drivers and would also backfill the truck weight fees, allowing \$1 billion per year to be spent on transportation without cutting funding for schools, higher education, or health care.

The Speaker's proposal would create a new fee which would require a two-thirds vote of the Legislature for approval.

While the specific provisions of the proposal have not been released and the bill text is not available, several statewide groups, including the California Alliance for Jobs, Transportation California, the State Building and Construction Trades Council of California, Associated General Contractors of California, and the California Business Roundtable, have expressed their support of the Speaker's efforts to address the State's transportation funding shortfall.

This office and the Department of Public Works will analyze the proposal once a bill is introduced and specific details are available.

Legislation of County Interest

AB 227 (Alejo), which as introduced on February 3, 2015, would: 1) require loans made to the State General Fund and with a repayment date of January 1, 2019 or later from specified transportation funds and accounts to be repaid by December 31, 2018; 2) repeal provisions of current law that provide for the transfer of certain weight fee revenues from the State Highway Account to the Transportation Debt Service Account, thereby retaining the weight fee revenues in the State Highway Account; 3) provide for the portion of fuel excise tax revenues that is derived from increases in the motor vehicle fuel excise tax in 2010 to be allocated 44 percent to the State Transportation Improvement Program, 12 percent to the State Highway Operation and Protection Program, and 44 percent to city and county streets and roads; and 4) delete the requirement to transfer certain revenues deposited in the State Highway Account to the Transportation Debt Service Fund, thereby providing for these revenues to be used for any transportation purpose authorized by statute, upon appropriation by the Legislature.

During the recent State budget shortfalls, the Legislature enacted a series of measures which redirected gas fees and other transportation revenues to the State General Fund. AB 105 (Chapter 6, Statutes of 2011), also known as the "Gas Tax Swap," directs truck

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weight fees and other transportation revenues to pay for transportation bond debt service and loans to the State General Fund, with various repayment dates. Current law also provides for the deposit of fuel excise tax revenues in the Highway Users Tax Account, and appropriates those revenues between the State Highway Account and cities and counties. SB 85 (Chapter 35, Statutes of 2013) requires certain revenues deposited in the State Highway Account to be transferred to the Transportation Debt Service Fund in the State Transportation Fund, to permanently offset some State General Fund debt-service costs with transportation funds.

AB 227 would expedite the repayment of transportation fund loans made to the State General Fund and repeal provisions in current law which direct transportation revenues to Transportation Debt Service Fund, thereby, retaining these revenues in the State Highway Account.

Currently, there is no registered support or opposition to AB 227. The bill is pending referral to a policy committee for its first hearing.

This office and the Department of Public Works are analyzing this bill and will provide a report on the potential impact to the County.

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VE:AO:ma

c: All Department Heads
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